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**Operational activities for development: South-South cooperation
for development**

The state of South-South cooperation

Report of the Secretary-General**

Summary

The present report reviews the state of cooperation among developing countries (South-South cooperation) from 2005 to mid-2007. It notes that the period was characterized by changing dynamics in South-South relations, as evidenced by new policy frameworks aimed at fostering cooperation among developing countries at the national, regional, interregional and global levels. Also noted are increases in South-South trade, increasing flows of South-South development assistance, the building of institutional capacities in support of South-South cooperation and a trend towards more concerted action for the effective implementation of a number of internationally agreed development goals, including the Millennium Development Goals.

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I. Introduction

1. The present report reviews the state of cooperation among developing countries (South-South cooperation) from 2005 to mid-2007. The report notes that the period was characterized by changing dynamics in South-South relations, as seen in the rise of new policy frameworks aimed at fostering cooperation among developing countries at the national, regional, interregional and global levels. Also noted are increases in South-South trade, increasing flows of South-South development assistance, the building of institutional capacities in support of South-South cooperation and a trend towards more concerted action for the effective implementation of a number of internationally agreed development goals, including the Millennium Development Goals.

2. Consistent with a trend highlighted in the previous report of the Secretary-General (A/60/257), the present report indicates that economies of the global South have grown significantly in relation to those of developed countries through rapid increases in trade and South-South investment and many other exchanges.¹

3. Despite higher levels of South-South cooperation and trade, the promotion of equitable and inclusive economic growth and sustainable development remains a key concern among developing countries. With less than 10 years remaining in which to achieve the Millennium Development Goals, multilateral institutions, banks, civil society organizations and world leaders from developing and developed countries alike are increasingly concerned about the many countries that are not currently on track to meet the goals. Indeed, many sub-Saharan African countries and least developed countries, landlocked developing countries and small island developing States continue to lag behind other countries in achieving the internationally agreed development goals, including the Millennium Development Goals.

4. In highlighting the emergence of important trends in South-South cooperation in the period 2005-2006, the present report points to a number of emerging opportunities and challenges in the process of scaling up the impact of South-South cooperation: (a) orienting South-South efforts towards achieving the internationally agreed development goals, including the Millennium Development Goals; (b) intensifying multilateral support for South-South initiatives; (c) fostering inclusive partnerships for South-South cooperation, including triangular and public-private partnerships; (d) improving coherence of United Nations system support for such cooperation; and (e) encouraging innovative financing for South-South cooperation.

5. The present report builds on findings contained in reports SSC/15/1 and 2, reports of United Nations entities and summary findings from the 2007 meeting of the High-level Committee on South-South Cooperation (29 May-1 June 2007), as well as other reports and information sources.

II. The changing dynamics of South-South cooperation

6. The robust economic growth of a number of countries in the South, such as Brazil, China, India and the Russian Federation, as well as that of a number of other

¹ <http://ipsnews.net/news.asp?idnews=35930>.

developing countries, including Chile, Egypt, Ghana, Malaysia, Qatar, Singapore, South Africa, Thailand and Turkey, has had a significant impact on the development prospects of other countries in the South. An increasing number of developing countries have become regional centres of economic dynamism, acting not only as significant beneficiaries but also as benefactors of South-South exchanges.

7. The emergence of new growth poles within the South as more countries become increasingly specialized in their manufacturing, trading and investment activities has dramatically reshaped the global economic landscape, creating new dynamics in trade, investment and development assistance flows both from and within economies in the South.

8. In particular, transnational corporations in the South have been a major source of business transactions and inward foreign direct investment (FDI) for least developed countries. The number of large transnational corporations in the South increased significantly, from 19 in 1990 to 58 by 2005, according to the United Nations Conference on Trade and Development (UNCTAD), and evidence suggests that they may be better equipped than transnational corporations from developed countries to offer appropriate goods and services to smaller markets with low per-capita purchasing power and to handle risks associated with operating in States characterized by weak governance.²

9. Banks from developing countries are becoming important sources of lending to low-income countries. According to the World Bank, borrowers in low-income countries received 17 per cent of total South-South cross-border syndicated lending flows in 2005 — a modest increase from only 3 per cent in the mid-1980s. The World Bank reports that 27 per cent of foreign-bank assets in low-income countries are held by developing-country banks, while in middle-income countries only 3 per cent of foreign-bank assets are held by such banks.³ Regionally, middle-income countries are playing an increasingly significant role in strengthening investment links to low-income countries.

A. A dramatic rise in South-South trade and investment

10. As a result of these and other economic and political trends in the South, economists have noted the rise of a new geography of trade, with emerging markets spurring the dramatic increase in South-South transactions. The share of world exports among developing countries is now 43 per cent, compared with 20 per cent in 1970. That trend has been accompanied by a remarkable increase in interregional trade. The annual growth rate of African exports to Asia, for example, rose to an all-time high of 30 per cent from 2003 to 2006. More notably, in 2005 the combined output of developing economies accounted for more than half of the total world gross domestic product (GDP) in purchasing power parity. Developing countries now account for nearly one fourth of world imports of commercial services.

11. Trade between economies in the South has also expanded rapidly in recent years. According to UNCTAD, between 1999 and 2005 exports to Southern

² See UNCTAD, *World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development*.

³ See World Bank, *Global Development Finance 2006: The Development Potential of Surging Capital Flows*.

countries grew 15 per cent on average, and imports expanded by 75 per cent. Currently, almost half of all developing-country exports are sent to other developing countries. While those developments represent significant progress for developing countries, there is room for improvement. The 118 countries belonging to the Non-Aligned Movement still account for less than 20 per cent of global exports and less than 15 per cent of global imports.⁴ Moreover, at least 70 per cent of the trade barriers and tariffs against developing countries are imposed by other developing countries.

12. South-South exchanges are occurring in the services industry as well. Services trade in the South takes place primarily at the regional level in the areas of transport, travel, insurance and other business services, and it has often been dominated by low-skill, labour-intensive services. However, the level and sophistication of the services provided by developing countries have increased with the expansion of the overall levels of trade in goods and services over the past decade. For example, China has positioned itself as one of the world's largest and fastest-growing manufacturing centres and a major hub for South-South cooperation, while India, through its expertise in software development and computer technology, has emerged as a global services platform in computer and engineering technologies.

13. Developing countries have become important sources of lending and investment for other developing countries. Capital flows between developing countries, or South-South flows, are now growing more rapidly than North-South flows, particularly in terms of FDI. Between 1999 and 2005, FDI inflows to developing countries more than doubled, increasing from 6.3 per cent to 15 per cent.⁵ In 2005, they accounted for 36 per cent (or \$334 billion) of \$916 billion in total global FDI inflows. Total FDI flows into Africa reached \$31 billion in 2005, representing a record growth rate of 78 per cent over the previous year, primarily as a result of the rise in the price of global commodities. Regional disparities persist, however, as only five countries — Egypt, Morocco, Nigeria, South Africa and the Sudan — accounted for 66 per cent of total inflows into Africa.⁶ Because investment often occurs in labour-intensive production methods among developing countries, the expansion of FDI flows between countries in the South has spurred the economic growth of many other developing countries through increased employment opportunities.

14. While much of the new dynamism in South-South trade, investment and development assistance has been spurred by the growth of emerging economies in the South and significant technological advances and capacities, a number of macroeconomic factors are also shaping South-South relations in important ways. These include, but are not limited to, the availability and rise in the price of energy and commodities. As a response, a number of countries in the South such as Brazil, India, Nigeria, Senegal and South Africa, have engaged in South-South science and technology exchanges to develop biofuel production capacities.

15. According to a July 2006 report (A/61/202) prepared by UNCTAD, international primary commodity prices have increased steadily following the

⁴ Non-Aligned Movement News Network available at <http://www.namnewsnetwork.org/cth2.php?nn=abt>.

⁵ Ibid.

⁶ See UNCTAD, *World Investment Report 2006*.

general slump that characterized the period 1997-2003. The rise in commodity prices in recent years is largely a result of the increase in South-South trade in commodities. The report also stated that the commodity price index increased overall to 187 in June 2006 from its average level of 105 in 2003.

16. The rise in commodity prices has, in general, been a positive development for countries in the South, as many of them depend on commodity exports. Nevertheless, as also noted in the report, significant disparities exist among developing countries, depending on the composition of the exports and imports of individual countries. Oil- and mineral-exporting countries, including those in sub-Saharan Africa such as Angola and Equatorial Guinea, have experienced improvements in their terms of trade and benefited enormously from commodity price increases, but oil importers and countries that rely on imported raw materials to produce manufactured goods have experienced a notable decline in their terms of trade.

B. Resurgence in regional and interregional South-South cooperation

17. Regional and interregional integration efforts have increased substantially in recent years, in part to promote the equitable distribution of net gains and address inequalities among developing countries, increase economic integration, facilitate trade, promote cooperation for mutually beneficial exchanges intraregionally and share development knowledge and expertise in areas of common concern within regions. This section presents brief highlights of the various integration efforts made. Further information is available in documents SSC/15/1, SSC/14/1 and A/60/257.

18. In the Arab States region, the establishment of the Greater Arab Free Trade Area in January 2005 has promoted regional and subregional cooperation. Collaborative arrangements effected by the Greater Arab Free Trade Area, the Gulf Cooperation Council and the Arab Maghreb Union resulted in increased trade (exports and imports) between 1998 and 2005.

19. In Asia, efforts have been stepped up to strengthen regional South-South cooperation, consolidated by subregional organizations such as the Association of Southeast Asian Nations (ASEAN), the Asia Cooperation Dialogue, the South Asian Association for Regional Cooperation (SAARC) and the Shanghai Cooperation Organization.

20. Regional cooperation has also been strengthened among the Pacific island countries through trade agreements. In April 2006, China, Cook Islands, Fiji, Micronesia (Federated States of), Niue, Papua New Guinea, Samoa, Tonga and Vanuatu, along with delegates from Australia and New Zealand, signed an Action Plan of Economic Development and Cooperation at the first ministerial meeting of the China-Pacific Island Countries Economic Development and Cooperation Forum, held in Fiji.⁷

21. In Eastern Europe, regional integration has been strengthened through the efforts of institutions such as the Georgia, Ukraine, Azerbaijan, Moldova Group (GUAM), renamed the GUAM Organization for Democracy and Economic

⁷ <http://www.mfa.gov.cn/eng/zxxx/t244798.htm>.

Development in 2006. Georgia, Ukraine, Azerbaijan and Moldova have established closer economic and political ties in recent years while supporting a number of infrastructure development projects such as the multimodal International North-South Transport Corridor.

22. Countries in central and south-eastern Europe have also formed the Central European Free Trade Agreement, whose membership, as of 2007, comprises Albania, Bosnia and Herzegovina, Croatia, Moldova, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and the United Nations Interim Administration Mission in Kosovo on behalf of Kosovo (Serbia).

23. In Latin America, the South American Community of Nations, the Caribbean Community and the Common Market of the South (MERCOSUR) have established a variety of South-South partnerships to address issues relating to telecommunications, the environment and energy while committing to significant tariff reductions and economic integration in their region.

24. In the Africa region, organizations such as the African Union and subregional organizations such as the Common Market for Eastern and Southern Africa, the Common Monetary Area, the East African Community, the Economic Community of Central African States, the Economic Community of West African States, the Southern African Customs Union and the Southern African Development Community (SADC) have implemented development programmes in a number of critical sectors, including governance, infrastructure, food security, science, and information and communications technologies.

25. The Africa Partnership Forum — which is supported by the African Union and the New Partnership for Africa's Development (A/57/304, annex) — agreed, at its fourth meeting, held in Abuja in April 2005, to develop a monitoring process with clear benchmarks aimed at measuring the progress made in the achievement of development goals while promoting coordination among the various stakeholders, including African Member States, the Group of Eight, the Organization for Economic Cooperation and Development and other development partners.

26. In sub-Saharan Africa, a number of low-income countries are emulating the example of India, Malaysia and other technological hubs in the South and boosting expenditures on science and research and development for technology. They include Ethiopia, which has committed to a joint public-private investment project with the goal of ensuring that, by the end of 2007, all Ethiopians will be living within a few kilometres of a broadband connection; Nigeria, which plans to create a national science foundation with an investment of \$5 billion; and South Africa, where research and development funding is to increase to 1 per cent of its GDP by 2009.⁸

27. At the interregional level, several summits and conferences have led to concrete commitments by individual countries to promote capacity-building and further institutionalize relations on the basis of South-South cooperation with the objective of achieving economic growth and development. These and other formal and informal networks have arisen at an increasing rate over the past several years to address issues of common concern. In August 2007, for example, the eighth Langkawi International Dialogue was held in Malaysia to widen the avenue for

⁸ See Hassan, Mohamed H. A., "A new dawn for science in Africa", *Science*, vol. 316, 29 June 2007.

increased collaboration among developing countries. More than 500 participants, including Heads of Government from six ASEAN countries, seven other Asian countries and 21 African States, were invited to attend.

28. The November 2006 Asia-Africa Forum was marked by a significant event, as China promised to double aid to Africa by 2009 to approximately \$1 billion, establish a \$5 billion China-Africa Development Fund to encourage Chinese companies to invest in Africa, provide \$3 billion in preferential loans and \$2 billion in preferential buyer's credits to African countries, and cancel all debt stemming from Chinese interest-free government loans that matured by the end of 2005 for the 31 heavily indebted and least developed countries in Africa that have relations with China.

29. Combating the spread of diseases such as malaria, tuberculosis and HIV/AIDS has been the focus of numerous interregional South-South agreements with significant financial backing from middle-income countries. Heads of State from India, Brazil and South Africa, at a summit in September 2006, established a framework to combat AIDS, malaria and tuberculosis, increasing investments in vaccine research and improving access to new preventive medical technologies in line with the Agreement on Trade-Related Aspects of Intellectual Property Rights.

30. In sub-Saharan Africa, the role of science and technology in the promotion of sustainable development has been the focus of international funding commitments on an interregional and a triangular basis. In 2005, the Group of Eight pledged \$5 billion to rebuild the universities of Africa and \$3 billion to establish centres of scientific excellence on the continent. Brazil has committed to supporting capacity building in science and technology in sub-Saharan Africa through its Pro-Africa Programme, with a focus on Angola and Mozambique.

31. South-South cooperation has been featured in recent high-level conferences, including those held in Morocco on South-South cooperation and human development and in Istanbul on globalization and least developed countries, as well as in the Latin America-Africa Summit and the South America-Arab Summit.

C. Increased South-South development cooperation

32. The above-mentioned macroeconomic trends in the South provide an important backdrop to developments that have occurred over the past several years in the areas of policy change, networks and institutional capacity-building at the national, regional, interregional and international levels.

33. As a result of the new dynamics in trade and investment, many developing countries are now in a position to assist other developing countries and have stepped up their efforts to do so both financially and in kind. Algeria, Brazil, Chile, China, Cuba, Egypt, India, Malaysia, Nigeria, Qatar, Saudi Arabia, South Africa, Thailand, Tunisia, Turkey and Venezuela (Bolivarian Republic of), among others, are now contributing development assistance to other developing countries. Thailand, for example, currently contributes development assistance at a rate comparable to that provided by several member countries of the Organization for Economic Cooperation and Development — 0.13 per cent of its gross national income. In general, available data indicate that concessional flows of South-South assistance

increased to \$3 billion in 2006, though this figure (about 3.75 per cent) remains a modest percentage of development assistance flows worldwide.⁹

34. Countries such as China, India, Brazil and South Africa are adopting policy changes that will enable them to become significant regional sources of technological innovation, trade and investment flows and thus significant contributors to overall growth and development in their regions and in the global economy as a whole.

35. China has made combating poverty and providing development assistance a major policy priority over the past several years. In 2005 it established, in partnership with the United Nations Development Programme (UNDP), the International Poverty Reduction Centre with a view to strengthening international exchanges on poverty reduction and enhancing the capacity of the international community to design and implement poverty-reduction policies.¹⁰ China has also established a South-South cooperation network and the China South-South Cooperation Promotion Centre to carry out South-South cooperation and promote economic and technical exchanges with other developing countries.¹¹

36. India has been proactive in utilizing a number of different avenues to support other developing countries. Since 2004, it has extended a total of \$1.4 billion in concessional lines of credit to other countries in the South for infrastructure development, agricultural equipment and supplies, pharmaceuticals and other development projects. Under the Indian Technical and Economic Cooperation programme, it has provided more than \$3 billion in technical assistance to 156 countries in the South. India has also pledged \$100 million for poverty alleviation in other SAARC member countries under the SAARC Development Fund. The country has earmarked \$200 million for the New Partnership for Africa's Development, \$500 million for West African countries and a \$250 million line of credit for the Economic Community of West African States Investment Bank.

37. Brazil has led the way in expanding treatment for people with HIV/AIDS by guaranteeing access to medications for everyone in the country infected with the virus. It has made such drugs available at a low cost by encouraging local production of the drugs, and it donates locally produced antiretroviral drugs to at least 11 other developing countries: Bolivia, Burkina Faso, Cape Verde, Colombia, East Timor, El Salvador, Guinea-Bissau, Mozambique, Nicaragua, Paraguay, and Sao Tome and Principe. The country also coordinates an international technical cooperation network on HIV/AIDS, which includes Argentina, China, Cuba, Nigeria, the Russian Federation, Thailand and Ukraine, in order to facilitate and coordinate technology transfer for antiretroviral production.¹²

38. Cuba, in addition to providing medical doctors and other experts to many countries in the South, has assisted Nigeria with ethanol production through South-South cooperation.

⁹ Ibid.

¹⁰ <http://www.iprcc.org.cn/subject.php/en/9>.

¹¹ Statement by the Permanent Representative of China to the United Nations at the fifteenth session of the High-level Committee on South-South Cooperation, New York, 29 May 2007.

¹² Inter Press Service News Agency, "South America: AIDS meds for all, but at higher prices", 27 June 2007.

39. South Africa has created the South African International Development Agency in order to signal that a vigorous effort is under way to expand the country's official development assistance. Though the policy and programme for the development assistance of South Africa are still under discussion, the current proposal is to increase the country's level of assistance to other countries in the South to between 0.2 and 0.5 per cent of the gross national income of South Africa.

40. Thailand has undertaken numerous initiatives in the spirit of shared prosperity of the "prosper-thy-neighbour" policy, including the Mekong Economic Cooperation Strategy, the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation and the Asia Cooperation Dialogue, to name just a few. In the context of the Mekong Economic Cooperation Strategy alone, Thailand has participated in 40 multi-country common projects and more than 200 bilateral projects involving Thailand, Cambodia, the Lao People's Democratic Republic, Myanmar and Viet Nam.

41. Similarly, the Government of Malaysia has, through the prosper-thy-neighbour policy, encouraged local firms to invest in other developing countries and is working to promote mutually beneficial trade and investment relations with other countries in the South. Total investment by the Government in other developing countries amounted to \$4.8 billion in 2006. In addition, the Government has signed 56 investment guarantee agreements with other countries in the South to encourage and foster the flow of investments with other developing countries. Total overseas investment by Malaysia increased from \$3 billion in 2005 to \$5.9 billion in 2006.¹³

42. Tunisia, under its Tunisian Agency for Technical Cooperation, a non-profit organization in charge of implementing national policy on technical cooperation, has either sent or trained experts and professionals to assist other developing countries in the areas of poverty reduction, health, vocational training, banking, agriculture, water and the environment, telecommunications and the advancement of women, among others. Since its establishment, the Tunisian development agency has conducted training sessions for more than 2,660 professionals from 39 African and Arab States countries, with support from the European Union, the Islamic Development Bank, the Japan International Cooperation Agency, UNDP, the World Bank and other organizations. By the end of 2006 alone, it had appointed 416 experts for long- and short-term development projects in other developing countries.

43. Turkey has also made significant policy changes favourable to South-South cooperation, investing in the development of energy, telecommunications and infrastructure in Albania, Bosnia and Herzegovina, Georgia, Kosovo (Serbia), Kyrgyzstan, Moldova and Montenegro and entering into free-trade agreements with Egypt, Jordan, the Palestinian Authority and the Syrian Arab Republic. Turkey allocates more than \$50 million annually for South-South cooperation programmes through the Turkish International Cooperation and Development Agency, which has 22 field offices in various developing countries. In 2006 alone, the Agency increased the number of implemented projects by 66 per cent over the prior year. It has overseen 930 projects and activities undertaken in 90 developing countries,

¹³ BERNAMA, "Malaysia's investments in South countries amount to US\$ 4.8 billion in 2006", 2 July 2007.

partnering with international agencies, including United Nations entities, and other countries to implement them.¹⁴

44. Egypt has also stepped up efforts to incorporate South-South approaches into its development policies and strategies, working in partnership with UNDP and other United Nations entities to coordinate and implement development projects in other countries. Through the Egyptian Fund for Technical Cooperation with Africa, it has provided humanitarian assistance to at least 30 countries in Africa and has overseen at least 45 projects to date. Egypt has also sent at least 90 short-term and 140 long-term experts to provide training and facilitate knowledge-sharing on a variety of issues, including health, agriculture, water resources and education.

III. Emerging opportunities and challenges for South-South cooperation

45. The new dynamics in the global South described earlier present enormous opportunities for a further deepening of South-South cooperation towards achieving the internationally agreed development goals, including the Millennium Development Goals. How to help translate those dynamics into real gains for all developing countries, especially for those that are economically and geographically most vulnerable, remains a perennial challenge. Fully harnessing such opportunities will require a renewed commitment to multilateralism, inclusive public-private partnerships and more effective operational measures towards improved coherence of multilateral support to South-South initiatives owned and championed by the South. Some of the major emerging opportunities and challenges for enhanced South-South cooperation in the years ahead are discussed in this section.

A. Optimizing the use of South-South solutions in achieving the internationally agreed development goals, including the Millennium Development Goals

46. South-South cooperation has been increasingly recognized by policymakers and world leaders as an important and effective basis for addressing a variety of new and complex development challenges. The Group of 77 and China adopted the Doha Plan of Action at the 2005 South Summit in Qatar, building on the Marrakech Declaration (2003) and the Havana Programme of Action (2000), which places South-South cooperation at the centre of the development agenda and establishes its importance in terms of addressing a comprehensive range of development challenges, including health, security and governance, the environment and energy, food security, and science and technology.

47. In the global South, even in least developed countries, there are relevant development solutions, best practices, practical knowledge and appropriate technologies that can be mobilized to help the most vulnerable groups of countries meet the internationally agreed development goals, including the Millennium Development Goals. For example, Georgia, Mexico and Romania have undertaken significant reforms to improve conditions for the poorest of the poor. While many

¹⁴ Statement by the delegation of Turkey at the fifteenth session of the High-level Committee on South-South Cooperation, New York, 30 May 2007.

sub-Saharan African countries remain among the most disadvantaged States, positive reforms have been undertaken in countries such as Ghana and the United Republic of Tanzania that may provide useful lessons in eradicating poverty and hunger in the region (Goal 1).

48. Several low-income countries, such as Burundi and Mozambique, have made substantial gains towards achieving the goal of universal primary education (Goal 2), with increases of 7.3 per cent and 20.9 per cent, respectively, from 2000 to 2005. On the other hand, Arab States, such as Kuwait and the United Arab Emirates, have made progress in promoting gender equality; in both of those countries, women won parliamentary seats for the first time in 2006 (Goal 3).

49. Eritrea, a fragile post-conflict country, showed enormous gains in reducing the rate of childhood mortality, which dropped by 50 per cent between 1990 and 2005, and Honduras has made significant gains in reducing the rate of maternal mortality, which decreased by 50 per cent (Goals 4 and 5).

50. HIV/AIDS is now declining substantially in Botswana, Kenya, Rwanda, South Africa, Uganda and Zambia, in keeping with Goal 6, with at least 50 per cent of those infected receiving assistance in those countries.

51. With regard to Goal 7, there are numerous examples of progress in the building of environmental sustainability. India was able to double sanitation coverage between 1990 and 2004, and two countries, Malawi and Namibia, have already reached the target of clean water sources.

52. Finally, with respect to Goal 8, building global partnerships for development, numerous regional and national institutions established by countries including China, Malaysia, Rwanda, Thailand and many others in Africa, the Arab States region, Asia and Latin America have adopted measures to promote partnerships globally and at the national and regional levels.

53. Although progress has been uneven among developing countries in their pursuit of the internationally agreed development goals, particularly the Millennium Development Goals, the above results indicate that there exists a great store of information and experience within those countries that simply needs to be shared on a South-South basis.

B. Intensifying multilateral approaches to meet common development challenges

54. As South-South cooperation is increasingly recognized to be one of the most effective approaches to managing complex transnational issues that are beyond the capacities of individual countries, the United Nations faces the challenge of strengthening multilateralism, inclusive partnerships and well-coordinated action in order to harness the resources available in the South with a view to complementing the efforts made by other partners to address such borderless challenges.

55. In recent years, emerging challenges such as climate change, growing urban poverty, energy, the widening digital divide and other issues that require concerted efforts among countries in the North and the South have increased significantly and have been addressed in numerous reports and international forums.

56. Experts estimate that there will be a 5 to 20 per cent drop in per capita GDP if climate change continues unabated. That would have a disproportionate effect on the developing world, causing as many as 220 million people in Africa and South Asia alone to remain below the \$2-a-day poverty line through the end of the century.¹⁵

57. Indeed, dramatic changes in the environment caused partly by climate change; demographic shifts resulting from migration due in part to the desertification of rural land; and the population explosion in urban areas due largely to rapid industrialization, have created another set of emerging challenges to development in the South. According to a 2007 United Nations Population Fund (UNFPA) report, a billion people, or a sixth of the world's population, live in slums; 90 per cent of them are in developing countries.

58. In sub-Saharan Africa, 7 out of 10 urban dwellers reside in slums without basic sanitation, clean water or legal rights to housing. The slum population has almost doubled in the region over a period of 15 years, reaching 200 million in 2005. As a result, poverty worldwide is increasing more rapidly in urban areas than in rural ones. That is an issue of particular significance for developing countries, since developing nations are expected to have 80 per cent of the world's urban population by 2030, according to a UNFPA report.¹⁶

59. Another challenge to development has arisen owing to a lack of access to renewable energy sources. With the price of oil rising and access growing more limited, South-South cooperation in finding new sources and in exchanging technologies that would help developing countries to maintain energy supplies is crucial for the related areas of food security, environmental preservation and economic growth.

60. Other related development challenges are linked to climate change. Water scarcity, for example, is one of the greatest threats facing the world today, and the implications for sustainable development among countries in the South have been highlighted in the UNDP *Human Development Report 2006*.

61. Increasingly, countries in the South will be challenged to increase their capacities in the areas of science and technology in order to boost their productivity and competitiveness. Related, although separate, is the urgent need for stronger infrastructural capacities in transportation and communication links among developing countries, particularly for least developed countries. The digital divide may well be the defining factor that allows some countries to advance economically while others fall by the wayside.

62. The digital divide between developed and less developed countries is quickly growing rather than diminishing. The proportion of the population in Africa with Internet access as of 2007 remains low relative to that of other regions: 3.5 per cent of the population in Africa has Internet access, compared to 10.5 per cent in Asia and 16 per cent in Latin America and the Caribbean.

¹⁵ For more information on this issue, see http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/stern_review_report.cfm.

¹⁶ See Dugger, Celia W., "U.N. Predicts Urban Population Explosion", *New York Times*, 28 June 2007.

C. Fostering broad-based South-South, triangular and public-private partnerships

North-South-South triangular partnerships

63. Developing countries have expressed consensus on the fact that South-South cooperation continues to serve as a complement to, and not a substitute for, North-South cooperation, particularly in the area of development assistance but also in new areas of cooperation, such as infrastructure development and disaster management. As such, developed countries are urged by the High-level Committee on South-South Cooperation of the General Assembly and by the General Assembly itself to continue to play an important role in supporting South-South initiatives through triangular arrangements, which consist of activities initiated by collaborating groups of developing countries supported by partners in the North.

64. While there are concerns about trends in official development assistance, many developed countries have actually stepped up their level of support for South-South cooperation through triangular arrangements in recent years, thus complementing and strengthening those partnerships. Support for South-South cooperation by developed countries is most evident in public efforts to implement agreements relating to debt relief, aid and other international initiatives to alleviate poverty in the world's poorest countries, in keeping with the United Nations Millennium Declaration, the Monterrey Consensus, the Plan of Implementation of the World Summit on Sustainable Development (Johannesburg Plan of Implementation) and the São Paulo Consensus.

65. More recently, development ministers of the Group of Eight, during a preparatory meeting for the Heiligendamm Summit in 2007, conferred with development ministers from Brazil, China, India, Mexico and South Africa (collectively referred to as Outreach 5) as well as a number of African organizations at the regional and subregional levels. The Presidency of the Group of Eight and the Heads of State of the Outreach 5 countries issued a joint statement that indicated that the countries would cooperate in five broad areas, including cross-border investment, research and innovation, the fight against climate change, and the quest for secure and affordable supplies of energy, particularly in Africa. Concrete outcomes are to be formulated and agreed upon by the next Group of Eight Summit, to be held in Italy. In addition, the Group of Eight and the Outreach 5 countries reiterated their commitment to the Millennium Development Goals, with a special focus on Africa.

66. The European Union has taken active steps to work in partnership with regional organizations in Africa and Latin America to achieve long-term development goals related to the improvement of capacity and infrastructure. In 2005, through the 10th European Development Fund, the European Council set aside roughly €22.7 billion for its cooperation with the African, Caribbean and Pacific States.

67. In December 2005, the European Council adopted the "European Union Strategy for Africa" together with the African Partnership on Infrastructure and African partners, States and regional organizations. The European Commission launched a European Union-Africa partnership to aid in the achievement of the objectives set out by the African Union and the New Partnership for Africa's Development. The 10th European Development Fund will provide €5.6 billion from

2008 to 2013 to boost regional development in four critical areas: energy, water, transport, and information technology and communication networks. The European Union has also established strong ties with Latin America and the Caribbean. It held its fourth European Union, Latin America and Caribbean Business Summit in Vienna from 11 to 13 May 2006. In addition, a European Union-Caribbean strategy was adopted in March 2006 to foster growth and development within the region.

68. In Asia, the Japan International Cooperation Agency began the Asia-Africa Knowledge Co-creation Programme in March 2005. In addition, the Agency's office in Singapore, under the Japan-Singapore Partnership Programme for the 21st Century, invited developing countries to attend 21 courses in fiscal year 2006. The courses offered both country-focused and regionally focused training in areas such as disaster management, infrastructure improvement for the information technology industry, trade negotiation, banking and finance development, among other topics. As one of the pivotal countries in that respect, the Republic of Korea continued to attach great importance to South-South cooperation. In addition to sharing its wealth of successful experience in and knowledge about inclusive development, the Government has expanded duty-free and quota-free market access to commodities from the least developed countries and has decided to increase the level of official development assistance to 0.25 per cent of its gross national income by 2015.

69. The United States of America has proposed doubling aid to sub-Saharan Africa between 2004 and 2010, launching the Millennium Challenge Account to provide up to \$5 billion per year. In 2005, it also allocated \$2 billion to address humanitarian emergencies in Africa as well as \$1.2 billion to be used in fighting malaria. In December 2006, the Government of the United States renewed a trade agreement, the African Growth and Opportunity Act, that will help to alleviate possible employment losses on the continent. The agreement provides duty-free access for African products to the United States market and extends until 2012 the third-country fabric provision allowing African clothing manufacturers to use raw materials from other countries and still benefit from preferential access to that market.

Public-private-civil society triangular partnerships

70. Recently, more and more individuals, corporations, non-governmental organizations (NGOs) and experts have been taking an active role in the development of innovative business models, policies and programmes through public-private partnerships aimed at alleviating poverty, promoting good governance and providing lifesaving technologies in the areas of health, the environment and food security.

71. In the area of public-private partnerships for sustainable development, the Public-Private Alliance Foundation, established in 2006, has brought together individuals, groups, Government authorities, NGOs, donors and businesses to collaborate and provide funding for poor people and communities in developing countries in order to enable them to become more self-reliant. The Foundation works to support the achievement of the Millennium Development Goals as well as the principles of the United Nations Public-Private Alliance for Rural Development. As such, it is one of a number of undertakings within and outside the United Nations system to facilitate the inclusion of businesses in efforts to promote pro-poor

businesses, stimulate entrepreneurial capacity-building and encourage investments, commerce and related activities for sustainable rural development.¹⁷

72. Individuals have also played a key role in developing innovative programmes for sustainable development at the grass-roots level. Muhammad Yunus, the 2006 winner of the Nobel Peace Prize, established a highly effective locally based microcredit lending programme that has helped to alleviate poverty in Bangladesh. The success of the Grameen Bank has led to the establishment of similar lending programmes in other developing countries. Others, such as African Celtel executive Mo Ibrahim, have used their private largesse to fund development enterprises in the service of good governance and the development of large-scale business projects in Africa. Recently, Ibrahim funded the Mo Ibrahim Prize for Achievement in African Leadership and donated \$150 million to set up the Africa Enterprise Fund. The aim of the Fund is to provide financial backing and management experience to promising African companies in the areas of financial services, consumer goods, energy and agricultural processing.¹⁸

73. NGOs such as Brussels-based Biopact, which has worked to create triangular partnerships in the service of mobilizing funding and resources, encouraging partnerships and disseminating information for renewable energy resources in Africa,¹⁹ have also arisen to address new challenges to development. Many other NGOs have been set up to identify and develop new strategic partnerships on issues that are relatively new or linked to new technologies in order to promote sustainable development solutions in the world's poorest regions.

74. Universities have also undertaken efforts to integrate South-South initiatives into their curricula, disseminating development theories and policy debates in the classroom. The Academy of Sciences for the Developing World has partnered with the Indian Association for the Cultivation of Science, the National Centre of Excellence in Molecular Biology in Pakistan and the International Centre for Chemical and Biological Sciences, also in Pakistan, to complement the Academy's current South-South fellowship programme, which provides fellowships in institutions in Brazil, China and India. The Academy's South-South fellowship programme is the largest in the world.

75. The private sector has also been a major driver of development initiatives. For example, in sub-Saharan Africa, businesses are working in partnership with governmental, subregional and regional organizations to help build infrastructure, expand communication technology and implement a variety of regional development projects. From 2002 to 2005, the African Development Bank financed 16 projects of the New Partnership for Africa's Development amounting to \$629 million. In 2006, the Bank also partnered with SADC in promoting infrastructural development, with plans to open additional field offices in a number of SADC countries.

¹⁷ <http://www.ppafoundation.org/index.htm>.

¹⁸ See "Face value: Africa calling", *The Economist*, 24 May 2007.

¹⁹ <http://www.biopact.com/site/goals.html>.

D. Enhancing the coherence of United Nations system support for South-South cooperation

76. The driving force behind South-South cooperation continues to be the developing countries themselves, regardless of whether such cooperation is bilateral, regional or interregional. It has been a province of the South, and, as such, the United Nations system has taken direction from the South in the setting of the South-South agenda and priority areas. Under the overall guidance of the High-level Committee on South-South Cooperation of the General Assembly, the United Nations system has worked to promote and support such cooperation through the work of the various organizations, specialized agencies, regional commissions, funds and programmes, with the Special Unit for South-South Cooperation, housed within UNDP, serving as the system-wide coordinator and focal point (see SSC/15/1 and 2).

77. During the review period, a number of United Nations entities intensified their efforts to mainstream their support for South-South and triangular cooperation into their policy instruments or corporate strategies. UNDP, for example, instituted South-South cooperation as one of the six drivers of development effectiveness in its multi-year funding framework, 2004-2007, resulting in a notable increase in the use of South-South solutions by its country offices. In its strategic plan, 2008-2011, it has adopted South-South cooperation as one of three principles and approaches for development effectiveness in the implementation of its country and regional programmes. The United Nations Environment Programme (UNEP) has established South-South cooperation as a major pillar of its corporate work programme for 2008-2009. The United Nations Educational, Scientific and Cultural Organization (UNESCO) has incorporated South-South cooperation as a core component of its programme and budget, 2008-2009, and as the main modality for reaching the goals of Education for All by 2015. Other United Nations bodies are also moving in that direction.

78. Some United Nations entities have moved from an ad hoc to a more systematic approach by building self-sustaining institutional capacities within and among countries in the South. The United Nations Industrial Development Organization (UNIDO), for example, established the first Centre for South-South Industrial Cooperation in India in 2007, with plans to establish similar centres in Brazil, China, Egypt and South Africa. The Special Unit for South-South Cooperation has continued its innovative work towards the establishment of a policy-supported, market-based and self-sustaining South-South Global Assets and Technology Exchange System. The Exchange would enable United Nations bodies and other development partners, including private-sector and civil society organizations, to engage in South-South small and medium-sized enterprise development and knowledge and technology exchanges.

79. While most United Nations bodies and specialized agencies, including regional economic commissions, have continued to anchor their South-South initiatives in a region or sector, some have taken a more inclusive approach that has allowed more United Nations entities and other development partners to pool their respective technical competencies and resources to support interregional or multisectoral South-South initiatives. Facilitated by the Special Unit for South-South Cooperation, organizations such as the International Labour Organization, UNCTAD, UNESCO, the World Intellectual Property Organization and the World

Bank have joined forces to help the global South cultivate the untapped economic and social potential of the creative economy for development, involving a large number of countries and other development partners across all regions. A similar type of inter-agency collaboration has been ongoing in the area of South-South remittances and development, involving the Asian Development Bank; the Inter-American Development Bank; the International Organization for Migration; the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States; UNDP; the United Nations Children's Fund (UNICEF); and the World Bank.

80. With the aim of improving the coherence of United Nations support for South-South cooperation, the United Nations Development Group, through the Resident Coordinator system, has emphasized the need for a more coordinated approach to supporting partner countries, at their request, in integrating South-South cooperation into their development cooperation strategies. In response to a request made by Tunisia, the Resident Coordinator brought together representatives of all the United Nations bodies and major donors to assist the Government in designing a national South-South cooperation policy framework and implementation strategy. Similar support was provided through the Resident Coordinators in Chile, Egypt, Malaysia, Morocco and Thailand. The Executive Committee on Economic and Social Affairs has also included South-South cooperation as a priority in its work. As such, Committee principals have committed to institutionalizing South-South cooperation in the context of their regular development activities and through joint efforts in order to maximize the benefits of such cooperation towards meeting the internationally agreed development goals, including the Millennium Development Goals.

81. It is apparent that South-South cooperation is no longer a low priority on the agenda of the senior management of many United Nations entities, such as the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development, UNCTAD, UNDP, UNEP, UNESCO, UNFPA, UNICEF, UNIDO, the Department of Economic and Social Affairs of the United Nations Secretariat, the World Food Programme and the World Health Organization. This is reflected not only in the increased integration of such cooperation into their corporate strategies and programmes but also in the specific measures some have taken to raise the level of their South-South focal points and increase budget allocations for that purpose. UNEP, for example, upgraded its focal point to a South-South Coordination Unit in September 2005. The desire for and commitment to enhanced coordination and coherence within the United Nations system in support of South-South cooperation was clearly expressed by more than 20 organizations attending the United Nations inter-agency South-South focal points meeting, convened by the Special Unit for South-South Cooperation in conjunction with the fifteenth session of the High-level Committee, held from 29 May to 1 June 2007.

E. Exploring innovative mechanisms for financing South-South exchanges

82. Recent years have witnessed impressive increases in South-South development assistance. With countries such as Brazil, China, India, Malaysia, Thailand and Turkey strengthening their institutional capacity for the coordination and funding of

South-South programmes, the stage is set for the ushering in of a new and more participatory form of international cooperation for development.

83. The key to these new inclusive arrangements for financing is the sense of mutual benefit that is created when South-South development assistance seeks to meet the interests of both provider and recipient. This harks back to the reality that every country has a role to play and something to contribute towards its neighbour's development, as Member States emphasized during the recent fifteenth session of the High-level Committee on South-South Cooperation. Furthermore, using the long-standing guiding principle of South-South solidarity, countries can work towards a more even distribution of the gains of globalization while minimizing its negative effects.

84. Thus, through South-South solidarity, middle-income countries are challenged to accelerate the provision of development assistance to the most vulnerable nations, including the least developed countries, landlocked developing countries and small island developing States. This growing form of inclusive South-South financing for development would then greatly contribute to meeting the commitments made in the Monterrey Consensus on financing for development without detracting from the duty of donors in the North to fulfil their own commitments.

85. Multilateral funding arrangements, as exemplified in the IBSA Initiative, a partnership between India, Brazil and South Africa, showcase the collective will of countries in the South that purposefully join together financially, politically and operationally to combat AIDS, hunger and poverty, among other issues. The China-Africa Development Fund, mentioned earlier, represents yet another multilateral initiative designed to promote broader cooperation interregionally, with backing of \$5 billion.

86. The United Nations Fund for South-South Cooperation, designated by the Second South Summit of the Group of 77 and China as the main multilateral funding mechanism for the fostering of South-South and triangular cooperation, has seen a huge increase in the number of contributors, including through cost-sharing and other innovative arrangements, from 5 prior to 2005 to 22 by mid-2007.²⁰

87. These new types of funding arrangements, which include in-kind contributions to development, go beyond traditional forms of assistance and, when advanced on a multilateral basis, offer enormous possibilities for scaling up South-South initiatives.

IV. Recommendations

88. In view of the findings contained in the present report that highlight the changing dynamics of the South, including new opportunities for and challenges to development, the General Assembly may wish to encourage Member States and their development partners, including the United Nations system, to:

²⁰ Algeria, Benin, Brazil, China, Comoros, Egypt, India, Ireland, Islamic Republic of Iran, Jamaica, Japan, Morocco, Nigeria, Qatar, Republic of Korea, Samoa, South Africa, Trinidad and Tobago, Tuvalu, United States, Venezuela (Bolivarian Republic of), and the Ford Foundation.

- (a) Optimize the use of South-South approaches in achieving the internationally agreed development goals, including the Millennium Development Goals;
- (b) Intensify multilateral support for South-South initiatives to address common development challenges;
- (c) Foster inclusive partnerships for South-South cooperation, including triangular and public-private partnerships;
- (d) Enhance the coherence of United Nations system support for South-South cooperation through closer inter-agency collaboration, joint programming and documentation of lessons and good practices; and
- (e) Continue to develop innovative mechanisms to mobilize resources for South-South and triangular initiatives, including through contributions to the United Nations Voluntary Trust Fund for South-South Cooperation.